



THE COMMITTEE ON ENERGY AND COMMERCE

MEMORANDUM

May 7, 2012

TO: Members, Subcommittee on Oversight and Investigations

FROM: Subcommittee on Oversight and Investigations Staff

RE: Hearing on “Budget and Spending Concerns at HHS”

On Wednesday, May 9, 2012, at 10:00 a.m. in 2322 Rayburn House Office Building, the Subcommittee on Oversight and Investigations will hold a hearing entitled “Budget and Spending Concerns at HHS.” This hearing is the fourth in a series of hearings on the Administration’s efforts to identify wasteful, duplicative, or excessive spending by agencies within the jurisdiction of the Energy and Commerce Committee. This hearing aims to evaluate the results of Department of Health and Human Services (HHS) spending-reduction initiatives, as well as to assist HHS in identifying and prioritizing further targets for potential elimination or cuts for Congressional consideration.

I. WITNESSES

Mr. Norris Cochran
Deputy Assistant Secretary, Office of Budget
U.S. Department of Health and Human Services

Ms. Carolyn L. Yocom*
Director, Health Care
U.S. Government Accountability Office

Mr. James C. Cosgrove*
Director, Health Care
U.S. Government Accountability Office

*GAO witnesses will present joint testimony.

Additional witnesses may be called at the discretion of the Majority.

II. BACKGROUND

Established in 1953 as the Cabinet-level Department of Health, Education and Welfare, and acquiring its present name in 1980, HHS is the United States government's principal agency for protecting the health of all Americans. Its activities include research, public health, food and drug safety, grants and other funding, and health insurance. HHS represents almost a quarter of all federal outlays and employs approximately 80,000 federal workers. Its more than 300 programs are administered by 11 operating divisions, including eight agencies in the U.S. Public Health Service and three human services agencies. President Obama has proposed \$940.9 billion in outlays and \$76.7 billion in discretionary budget authority for HHS in FY 2013.¹ This does not include the \$140 billion provided to HHS in recent years under the American Recovery and Reinvestment Act of 2009 (Recovery Act).² Of this \$140 billion, \$124 billion has been obligated through grants and contracts, and as of early May 2012, just over \$120 billion of this amount has been spent by recipients.³

The need to cut federal spending, especially in view of the current economic crisis, is not in dispute. Indeed, President Obama has said repeatedly that his Administration would conduct an exhaustive "line by line" review of the federal budget to reduce unnecessary spending.⁴ The Administration's efforts to implement a line-by-line review of the Federal budget were described in a September 16, 2009, memorandum from then-OMB Director Peter Orszag as including (1) the President's call for Cabinet members to identify \$100 million worth of administrative savings within 90 days of his first Cabinet meeting in April 2009 and (2) the annual *Terminations, Reductions, and Savings* volume accompanying the President's Budget.⁵ HHS was not on the list of 15 agencies heeding the President's call in (1).⁶ As for (2), in FY 2012, HHS proposed \$6.885 billion in Terminations, Reductions, and Savings across the agency;⁷ in FY 2013, HHS proposed \$8.8 billion in Cuts, Consolidations, and Savings across the agency.⁸

More recently, in Executive Order 13589 issued on November 9, 2011, the President reiterated his Administration's commitment "to cutting waste in Federal Government spending and identifying opportunities to promote efficient and effective spending."⁹ This Executive Order instructs Federal agencies to establish a plan for reducing the combined costs associated with travel, employee information technology devices, printing, motor vehicle fleet, and promotional items, as well as activities included in the Administrative Efficiency Initiative in the FY 2012 Budget, by not less than 20 percent below FY 2010 levels, in FY 2013. Reductions in this category, as proposed by HHS for FY 2013 pursuant to Executive Order 13589, amount to \$876 million.¹⁰ It is noted, however, that some of this may overlap with other savings proposed

¹ [FY 2013 HHS Budget in Brief.](#)

² [Statement of HHS Secretary Sebelius on the President's FY 2013 Budget, Committee on Energy and Commerce, March 1, 2012.](#)

³ [HHS Agency Summary, Financial Status, Recovery.gov.](#)

⁴ [President-elect Barack Obama, OMB Announcement in Chicago, Illinois, November 25, 2008.](#)

⁵ [M-09-31, Memorandum for the Heads of Departments and Agencies, "Implementing the President's SAVE Award," September 16, 2009.](#)

⁶ [Briefing Memo, Administrative Savings Proposals -- UPDATE.](#)

⁷ [FY 2012 Terminations, Reductions, and Savings.](#)

⁸ [FY 2013 Cuts, Consolidations, and Savings.](#)

⁹ [Executive Order 13589 -- Promoting Efficient Spending.](#)

¹⁰ [Savings: Campaign to Cut Waste Overview](#), pp. 143-145.

in the *Cuts, Consolidations and Savings* volume accompanying the FY 2013 President's Budget and that "agencies are redirecting some savings to absorb other cost increases and fund priority activities."¹¹

Additional concerns have been raised about financial management at HHS. For example, on November 14, 2011, HHS Inspector General Daniel Levinson notified Secretary Sebelius that an Ernst & Young independent audit of HHS FY 2011 financial statements found that "because weaknesses continue to exist in the financial management system, management must compensate for the weaknesses by strengthening manual and other internal controls to ensure that errors and irregularities are detected in a timely manner."¹² Also, on July 14, 2011, HHS informed Congress of more than \$1.4 billion in Antideficiency Act violations under 31 U.S.C. § 1341(a) across a variety of HHS accounts.¹³

The HHS Office of the Inspector General (IG) has declined the Subcommittee's invitation to testify at the May 9, 2012, hearing, noting that due to its statutory mandates and funding streams, it spends 80 percent of its limited resources on fighting fraud, waste, and abuse in the Medicare and Medicaid programs. IG also confirmed that it has not done any significant recent work looking at duplicative programs within HHS, nor does it have plans to conduct such a review in the near future. For this reason, only the Government Accountability Office (GAO) will be present at the hearing to provide an independent, outside assessment of HHS efforts to identify wasteful, duplicative, or excessive spending within the agency.

III. ISSUES

The following issues may be examined at the hearing:

- The proposed cuts resulting from the President's budget-cutting initiatives and how many were actually executed;
- The potential for identifying further cuts and spending efficiencies;
- HHS priority setting and spending performance measures as a tool for accountability and Congressional oversight; and,
- HHS's response to recommendations set out by GAO or IG to reduce wasteful or inefficient spending and improve budget accountability to Congress.

IV. STAFF CONTACTS

If you have any questions regarding this hearing, please contact Sam Spector with the Subcommittee on Oversight and Investigations staff at (202) 225-2927.

¹¹ *Id.*, p. 143.

¹² [FY 2011 Agency Financial Report](#), p. II-6.

¹³ [Letter of HHS Secretary Sebelius to Comptroller General on violations of the Antideficiency Act.](#)